EXPLANATORY MEMORANDUM ON THE CO-OPERATIVE SOCIETIES REGULATION III OF 1905.

1. *I. The Objects of Co-operative Societies.*—Attention is invited to the reference made to the new Regulation known as the Co-operative Societies Regulation, in the Dewan's Address to the Representative Assembly, which met in October last. This Regulation, as stated in the Address, is intended to be helpful to all classes of people for the furtherance of thrift and providence among them, and the means adopted is to be that of co operation. The word co-operation, it may be stated, is used here not in the sense of mere association for any and every purpose, but in the somewhat restricted sense of association of a number of individuals for mutual profit, whether in the purchase and distribution of commodities for consumption, or in the production of commodities, or in the borrowing and lending of capital. Accordingly, the objects of Co-operative Societies have been specified in Section 3 of the Regulation as being the following :—

(1) The furtherance of thrift and providence among the members;

(2) the attraction of capital and the grant of credit to the members;

(3) the supply to members of raw material, seed or manure;

(4) the sale on behalf of members of agricultural produce or of manufactured goods;

(5) the manufacture of goods or growth of produce by the members co-operatively;

(6) the purchase of foodstuffs, clothing or other articles of consumption, or of animals, implements, or other stock required in agriculture or industry, and their retail sale to members;

(7) the purchase of machinery and its use in common by members;

(8) the building of houses or purchase of lands for members;

(9) the carrying out or development by joint action, of an improvement whether agricultural or industrial, or of any other object approved by Government.

2. Perhaps a word of explanation is needed regarding each of these objects. The importance of thrift and providence on the part of any individual needs no explanation, and especially are they needed in the case of the agriculturists and artizans who are now as it were, solitary units left to struggle against adverse circumstances as best as each could.

3. For purposes of business, it need scarcely be stated that credit is largely needed. The cultivating raiyats for instance, need loans for various purposes, such as (1) the purchase or improvement of land, (2) relief from prior debt, (3) the purchase of cattle, manure, seed, implements, (4) house-building, (5) advances in anticipation of the sale of produce, (6) maintenance, (7) payment of revenue or rent.

4. The raiyats, however, have now to pay heavy interest to their sowcars, not to speak of the fees they have often to pay their sureties or witnesses. These items go to reduce their profits to a material extent with little prospect thereby of their condition of hand to mouth living being bettered at any time. The temporary use even of a few rupees for the purchase say, of a bullock, may make all the difference as to whether or not a raiyat will be able to raise his next crop. As an isolated individual his credit is low and his security is uncertain, but as a member of a society he becomes known to others and his credit accordingly rises. A society can easily attract to its coffers by its united credit money which looks askance at individual security. As is well known it is not so much the lack of capital as the lack of credit that is in the way of business-people obtaining loans at a rate of interest which will not absorb the major portion of their profits. In the State Savings Banks there are nearly ninety lakhs of rupees which, it may be believed, if the requisite security was forthcoming would be diverted by their depositors to respond to the needs of the agriculturists and artizans instead of being as at present either locked up in Government of India Securities at small rates of interest or lying unfructuous in the State Treasuries. The need for societies which by their systematic and open modes of business and generally by their independence of the vicissitudes of individual members are able to inspire greater confidence and offer better security than individuals can hope to do, is therefore real and the question therefore deserves serious consideration.

5. In various other ways also the Co-operative Societies may make themselves useful to the members. Through the agency of societies, raw material, seed or manure may be procured at large quantities, thereby obtaining a reduction of price. The societies will also be in a better position to secure a guarantee of quality than unknown individuals with their small orders can hope to do. There is special difficulty at present in the employment of machinery. The small farmers and the smaller artizans find them either too costly for their means or that they have not enough work of their own. In such a case, a society may procure the machinery and let it out on hire, or enable the members to purchase on special terms. Then again, instead of each producer sending off his own particular lot as a separate consignment, the individual lots may be clubbed together as far as their qualities permit and through the agency of the societies, lesser transport charges incurred and better sales effected by obtaining command of wider markets. The societies may also serve as useful agents to advise the members as to the kinds

of produce most likely to find purchasers in outside markets, to give practical guidance in respect to growing, packing and despatch, to receive the produce at fixed centres, to supervise its storage and sale and remit the proceeds of such sale to the producers, less a small charge for expenses. A society after it is fairly well established, may even undertake the establishment of model peasant farms, equipped with the implements and stock considered to be most suitable for the needs of any particular locality. The societies may also organise periodical shows of agricultural and industrial produce and of stock, offer prizes for the efficient management of small allotments, and in other ways further the interests of their members.

6. *II. Success of Co-operative Societies elsewhere.*—Such is an outline of the scope of usefulness of these societies, and if carefully nurtured, there appears to be no limit to this usefulness. In Mysore, however, the small success that has hitherto attended the scheme of Agricultural Banks, may be cited as an instance of the difficulties in the way of the development of these beneficent institutions. There is no need to refer here to the causes of their failure, as they have all been analyzed in the addresses to the Representative Assemblies of the years 1901 to 1903. These causes, however, are not peculiar to Mysore and though they have operated in other countries also yet the scheme has ultimately succeeded after the application of proper correctives. In British India, after the introduction of the Co-operative Act, several societies have come into existence and are showing signs of growing life. If these institutions languish in Mysore the disappointing result cannot be attributed entirely to their own want of adaptability to their surroundings, for the conditions of Mysore, agricultural and industrial are not dissimilar to those of many parts of the Bombay and the Madras Presidencies. The past failures merely indicate the need in Mysore for fresh efforts and to such efforts the provisions of the Co-operation Regulation are specially helpful. To prove that efforts are worth being made, the success that has attended the movement in European countries may be cited. The following extracts from the article on Co-operative Societies in the Encyclopaedia Brittanica, Vol. XXVII, will bear out this statement.

"Irish co-operation is agricultural and dates from the foundation of one co-operative dairy in 1889. Thence has grown a movement already of great importance and rapidly spreading. In 1890 there was still only one such society; in 1891 there were seventeen, but on 31st December 1900 there were 412, of which 171 were dairies, 106 agricultural societies, seventy-six Banks. By August 1901 the societies numbered about 470 and the members about 54,000. The agricultural societies are chiefly engaged in buying farm requisites pure and cheap and retailing them among their members; in this way they have saved the farmers very large sums. Their trade is about £ 100,000. The Co-operative Banks are of the Raiffesen type and aim at providing the peasants with necessary capital and expelling the usurer. They are increasing rapidly. Among miscellaneous objects of co-operation are selling eggs, poultry, barley and pigs, joint ownership of machinery, joint grazing, potato spraying, producing flax, and so on; and these promise a great growth in number and variety. The dairy societies have federated into an agency for reaching the English market, and the agricultural societies into an Irish wholesale society for purchasing to the best advantage. Besides, the direct profits and economies of these societies, they have greatly benefited Ireland by teaching men of all classes, parties and religions to act together for peaceful progress; they have led to a wide diffusion of better agricultural knowledge, and to the establishment by Government of the Agricultural Department.

"Turning abroad we find, in almost all civilized countries, important and growing movements roughly similar to those above described. The most prominent fact since 1877 is the great growth of agricultural co-operation from small dimensions, till it amounts to a great force, almost everywhere and in some countries to a revolution notably in Denmark, where almost every village is an example of varied co-operation. Agricultural co-operation is now the strongest branch of the movement in France, and its backbone are the agricultural syndicates or associations. These, though they began in 1883, numbered 1,500 in 1895, and now probably number 2,500 with 700,000 to 800,000 members.

"As part of agricultural co-operation we may reckon the development of an entirely new type of credit co-operation. The Schultze-Delitzsch credit societies are primarily town institutions, and while they have multiplied and grown great, and sometimes grown capitalistic, many thousands of country folk have learnt to bless the little Raiffeisen loan banks. Such a bank is an association of neighbours uniting to borrow a sum of money in order to lend it out as cheaply as possible in small sums to such of themselves as need loans. It also receives savings deposits, which often produce a large part or even all the capital the society needs to lend. Usually a few of the members are persons of rather more means than the others, and join to help their neighbours by increasing the society's credit. These have no special privilege, but by a common consent they usually take a leading part. Though co-operative credit societies are split up into innumerable groups, insisting on various minor modifications, and making various compromises between the two systems, these two types really include them all. They have spread from Germany into almost all European countries, even at last to Ireland and England besides America and Asia. In Germany, there were in March 1901 out of a total of 19,557 co-operative societies, 12,140 credit associations, and these lent out in 1900 more than £ 120,000,000. In Italy, Austria and Hungary, they are also strong. In 1896 it was estimated

that £ 150,000,000 a year must be very well within the total amount lent by money co-operation on the continent of Europe; £ 190,000,000 may be estimated for 1900.

"Among minor but still important developments may be mentioned the steady growth of co-operative production in France; the co-operative labour gangs or rather societies which undertake building and navying work in Italy; and the letting out of railway construction to co-operative groups of workmen in New Zealand and Victoria. It has been roughly estimated that altogether the members of one or other branch of co-operation number six millions representing with their families a population of twenty-five million people."

8. *III. Membership.*—Having explained, it is hoped, sufficiently clearly the objects of the societies as specified in the Regulation, some of its other provisions may now be taken up. The minimum number of members to form a society is fixed at ten who should all be above the age of eighteen years. It is essential for the proper development of mutual credit that the members of a society should exercise by means of personal acquaintance and moral pressure a mutual control over one another in their transaction with the society. In the report of the Committee on the establishment of co-operative credit societies in India, submitted to the Government of India, it was accordingly suggested that membership should be by election and should be limited to residents in the same town or village or group of villages. The Government of India in their resolution explaining the provisions of the Co-operative Act, have remarked upon this suggestion of the Committee that "there are communities among whose members a common organisation or common interests supply the place of propinquity of residence, and ensure the desired conditions. A compact and closely organised tribe or caste, a community such as is formed by the Native Christians attached to a particular mission, or even the employees on a given line of railway, are instances in point. The Act therefore empowers the Registrar to dispense with the residence test where he is satisfied that this may be safely done, if the society is to be confined to the members of a single tribe or class or caste." In the Mysore Regulation, no such restrictions have been introduced; nevertheless in enlisting its members, it is highly desirable that a society should keep the principles enunciated by the Government of India clearly in view. It should also be remembered that it is desirable that the admission of new members should not be made under an automatic rule, but that each new member must be accepted by the older ones or by the executive committee who represent them in accordance with the provisions of the regulation and with the by-laws of the society.

9. *IV. Liabilities of Members.*—Section 7 of the Regulation provides that the liability of each member of a society for the debts of the society shall be unlimited or limited as may be provided by the by-laws or by any rules framed under the regulation. Where the liability of a member is unlimited, he is, in case of a winding up of a society, liable to contribute without limit to discharge the debts of the society, but in societies limited by shares, a share-holder who has paid up the nominal amount of his shares is not liable for any further amount. The liability of a past member for the debts of the society as they existed at the time when he ceased to be a member, shall continue for a period of one year from the date of ceasing to be a member (section 17). Similarly the estate of a deceased member shall be liable for a period of one year from the time of his decease.

10. *V. Restrictions regarding number of shares and their transfer.*—To prevent a society from getting into the hands of only a few large shareholders to the prejudice of the interests of others, section 12, restricts the maximum number of shares to be held by a member, where the liability is limited, to one-fifth of the total number of shares, the nominal value of which is, without the express sanction of Government, not to exceed one thousand rupees. The restrictions contained in section 14 on transfer by a member of his share or interest in the capital of the society are also to be carefully noted. No such transfer can take place unless the share or interest to be transferred has been held by the member for one year at least. Where a transfer is allowed, it can only be to the society or to a member of the society, and subject to any conditions as to maximum holding. The object of these restrictions is, as stated in the resolution of the Government of India "to render impossible the acquisition by individuals of a predominent interest in such societies, to prevent speculation in connection with them, and to discourage those who might desire for reasons of personal profit to avail themselves of the facilities given by the Act to start banks for other ends than those for which these societies are intended."

11. *VI. Privileges granted to Co-operative Societies.*—The privileges granted to the societies are specially to be noted. In the first place, the share or interest of a member in the capital of a society is not liable to attachment or sale under any decree or order of a court of justice in respect of any debt or liability incurred by the member. Neither the official assignee nor a receiver appointed under Chapter XX of the Code of Civil Procedure is entitled to or has any claim on such share or interest (section 15). But a society has a charge upon the shares or interest in the capital and on the deposits of present and past members, and upon any dividend, bonus or profits payable to them in respect of any debts due from them to the society, and may set off for the purpose any sum credited or payable to such members (section 20).

12. (*a*) In the next place, except in respect of land revenue or any money recoverable as land revenue due to Government or in respect of rent or any money recoverable as rent due to

a land-lord, a society formed under the Co-operative Societies Regulation is entitled in priority to other creditors to enforce its claim

(1) upon the crops or other agricultural produce of present or past members at any time within a year from the date when seed or manure was advanced or money for their purchase was lent,

(2) upon any cattle, agricultural or industrial implements or raw material for manufactures, supplied by the society or purchased in whole or in part with money lent by the society (section 19).

(*b*) The societies have the benefit of a free audit of their accounts by the Registrar once at least in every year, including an examination of overdue debts, if any, and a valuation of the assets and the liabilities of the society. It is also open to the Registrar, the Deputy Commissioner or any person authorized in this behalf by the Registrar or the Deputy Commissioner, to inspect at any time the books, accounts, papers and securities of a society (21-" 1 to 4").

(*c*) A certified copy of any entry in a book of any society regularly kept in the course of business is receivable in any suit to recover a debt due to the society to the same extent as the original entry itself is receivable under the existing law (section 22).

(*d*) The Government may exempt any society or class of society from local and general taxes, from stamp duty on instruments and from payment of fees under the Registration Act (section 25). Under Section 6, cl. (5) no charge is made for the registration of the society itself.

13. *VII. Restrictive conditions to ensure efficacy of management.*—In consideration of the special privileges which, as above stated, have been accorded to the Co-operative Societies, certain restrictions have been placed, intended for their more efficacious management. A sum which is to be not less than one-fourth of the profits in each year of every society, unless otherwise directed by Government by special order in any particular case, is to be carried to a fund (to be called the Reserve Fund) before any dividend or payment on account of profits is paid to the members (section 8).

Secondly, a society may receive deposits from members without restriction, but it may borrow from persons who are not members only to such extent and under such conditions as may be prescribed in that behalf.

Thirdly, a society can make no loan to any person other than a member, but with the consent of the Registrar, it may make loans to any other society.

Fourthly, a society may deposit its funds in the Government Savings Bank but if it wishes to do so with any banker or with any other person, it can only do so with the approval of the Registrar.

14. *VIII. Caution regarding loans on the security of movable or immovable property.*—A word of explanation is necessary regarding the power reserved to Government in section 10 (2) to prohibit or restrict by general or special order the lending of money on the security of movable or immovable property or any kind thereof by any society or class of society. In the Government of India Act power is given to the Registrar to allow any society which he thinks, can safely be trusted, to advance money upon jewellery. In the Mysore Regulation no distinction is maintained between movable and immovable property and unless prohibited or restricted by Government, a society is not debarred from making advances of money on their security. There are practical difficulties, however, in connection with the custody and valuation of jewellery. When, as stated in the Government of India resolution, a rural society is located in a town or large village, with silversmiths available, with a ready market at hand, and with members and officers of intelligence, it may safely be trusted to conduct transactions which might be dangerous in the case of a more strictly rustic association, which has no such facilities. In the case of mortgages, the considerations are still more difficult. "On the one hand, one of the methods in which an involved cultivator can most effectively be assisted is by enabling him to substitute a mortgage upon reasonable for one upon exorbitant terms; and a member who is refused the credit to which his property in land fairly entitles him, merely because he is not allowed to hypothecate it to the society, may be driven to the money-lender for a loan, which, had it not been for the prohibition, he might have taken from the society with advantage to both parties. On the other hand, it is exceedingly inadvisable that these societies should be allowed to lock up their limited capital in a form in which it is not readily available; their most useful form of business will probably be small loans for short periods with prompt recoveries; and it is above all things desirable that they should keep out of the law courts." Hence, it is necessary that special care should be exercised by the societies in advancing money on the security of jewellery or on mortgages.

15. *IX. Conclusion.*—Such are the main objects and scope of this new Regulation which, if rightly worked, is expected to introduce a highly beneficial change in the agricultural and industrial economy of the country. The Regulation is specially intended for the benefit of the

rural classes to whom credit, as has been already stated, is essential to conduct their business and to develop it. The Co-operative Societies under the Regulation have been taken out of the operation of the general law on the subject, and have been accorded special privileges and facilities, in order to encourage their formation and assist their operations. Since thy en y exemption from the general law and have also facilities of a special nature, particular care is necessary to prevent abuse on the part of any possible speculators availing themselves of the privileges under colourable pretexts.

A set of by-laws is appended to serve as a model. These by-laws may be adopted with such variations as the circumstances of individual societies necessitate.

Office of the Registrar of Co-operative Societies in Mysore, Bangalore, 29*th December* 1905.

M. SHAMA RAO,
Registrar of Co-operative Societies in Mysore.

MODEL RULES FOR CO-OPERATIVE SOCIETIES.

(These may be adopted with such variations as local circumstances may call for).

Name.

1. The society shall be called the.. .. Co-operative Society (Limited or Unlimited, as the case may be).

2. Its address shall be the.....village in the..... ....Taluk of the..... District.

3. The operations of the society shall be confined to the place or places *marginally noted.

Objects.

4. The objects of the society shall be:—(Any one or more of the following or any other object calculated to promote the economic benefit of the members specially approved by Government.)

(1) the furtherance of thrift and providence among its members;
(2) the attraction of capital and the grant of credit to the members;
(3) the supply to members of raw material, seed or manure;
(4) the sale on behalf of members of agricultural produce or of manufactured goods;
(5) the manufacture of goods or growth of produce by the members co-operatively;
(6) the purchase of foodstuffs, clothing or other articles of consumption, or of animals, implements or other stock required in agriculture or industry, and their retail sale to members;
(7) the purchase of machinery and its use in common by members;
(8) the building of houses or purchase of lands for members;
(9) the carrying out or development, by joint action, of an improvement whether agricultural or industrial.

Membership.

5. The members of the society shall consist of:—

(1) the persons who have subscribed to the application for registration;
(2) persons who, after the registration of the society, are from time to time admitted as members under these by-laws.

6. Only residents of the place or places mentioned in Rule 3 or persons holding lands there- (or satisfying any other condition to be prescribed) shall be eligible for membership of the society.

7. Every person desirous of becoming a member shall apply in writing to the Managing Committee who shall dispose of the application after due consideration within a period of..... days from the date of the receipt of the application.

8. Any person whose application for admission is rejected by the Committee may appeal to the general body of members, provided that such appeal is supported in writing by not less than..... members of the society. The appeal shall be decided at any general meeting following the date of the appeal.

9. Every person accepted as a member must sign or affix his mark to a register of members, such signature or mark being attested by a member. The register shall contain the name, father's name, address and occupation of each member and shall also contain a description of the lands and houses, if any, held by him within or outside the village or villages mentioned in Rule (3).

10. Every person whose application for membership has been accepted shall pay an entrance donation of..... .. and subscribe for at least one share of the Society (where there are shares) which may be paid in instalments of not less than... .....for each share.

11. Every person shall on signing the above register and on paying the entrance donation and at least one instalment of the value of the share or shares, if any, subscribed for, be deemed to have become a member of the Society and to have acquired all its rights and liabilities.

Cessation of Membership.

12. Membership shall cease:—

(*a*) by resignation.
(*b*) by removals hereinafter prescribed,
(*c*) by bankruptcy, and
(*d*) by death.

13. In any case of cessation of membership otherwise than by death, the person ceasing to be a member shall have the right to receive, not later than .....months from the date of such cessation, the subscribed value of his share or shares together with any dividend or interest or other sum admissible under the by-laws, after deduction of all sums due by him to the Society; but he shall have no claim on the reserve or any other assets of the Society.

14. (1) The Committee shall have the power to remove a member for being in default in respect of any sum due to the Society for.....month after due notice has been given to him.

(2) The Society shall have the power to remove any member for any act which in its opinion is likely to be injurious to the credit, reputation or interests of the Society, or for a serious breach of the by-laws or subsidiary rules.

15. (1) Within... month of the receipt of reliable information of the death of a member, the Committee shall be bound to pay into the deposit account the subscribed value of his share or shares; and his heir or nominee shall be entitled, within three months of such payment into the deposit account, and on the Committee being reasonably satisfied as to the validity of his claim, to receive the full paid up value of the deceased's share or shares with any admissible dividend or interest or other sum due to him, after deduction of all sums due by him to the Society, unless the heir or nominee, being a member of the Society, is desirous of taking up the said share or shares, or any of them, or unless, not being already a member of the Society, he is admitted as a member and is desirous as aforesaid, in either of which cases the share or shares shall be transferred to his name.

(2) Nothing contained in clause (1) shall be deemed to prevent the Committee in special circumstances where money may be required to meet the expenses of the funeral of a deceased member or the immediate and pressing needs of his family, from making to such members nominee at any time such advance out of the sums due to the deceased's account as they may think fit.

Capital.

16. The working capital of the Society shall consist of:—

(1) entrance donations;
(2) the subscribed share amounts;
(3) such portion of the half-yearly profits as may be credited to reserve in accordance with a resolution of the Society;
(4) deposits; and
(5) any other receipts assignable to capital.

Shares.

17. (1) There shall be.....shares of the Society, of the value of Rs..... each; provided that it shall be competent to the Society to increase or reduce the number or value of the shares, or both, to any extent it thinks fit.

(2) Each share shall be entered under a distinctive number, and shares shall be issued consecutively according to their numbers.

(3) No member shall be allowed to hold more than.....shares.

Raising of Loans.

18. With the previous sanction of the Society, the Committee may raise a loan for any authorised purpose to such extent, in such manner, and on such terms as may be approved by the Society; provided that the amount of the loan raised together with the deposits, if any, received from.....shall not together exceed at any one time.....the amount of the subscribed share-capital.

Deposits.

19. (1) The Committee may receive deposits from members and to such extent, if any, as may be authorized by the Society, also from non-members.

(2) No sum that is less than .....shall be received in deposit, nor shall fractions of a rupee count towards interest.

(3) Interest shall be allowed for each calendar month upon the minimum balance of the account between the close of the 4th day and the end of the month, and not otherwise.

(4) The rate of interest shall, from time to time, be regulated by the Committee within the limits, if any, prescribed by the Society; provided as follows :—

(*a*) such rate shall not exceed..... pie per rupee per month;

(*b*) fixed deposits, that is, deposits of not less than Rs.....at a time, expressed to be for a term of not less than six months, and not liable to be withdrawn before the expiry of such term, shall be allowed a higher rate of interest than ordinary deposits.

(5) Fractions of a pie shall be omitted in calculating the amount of interest.

(6) Deposits other than fixed may be withdrawn at any time in whole or in part; but for sums over Rs.....three days' notice may, at discretion, be demanded. No interest shall be allowed on sums withdrawn within thirty days of their deposit.

Loans to Members.

20. (1) The maximum amount of credit to be allowed to a member shall, from time to time, be prescribed by the Society.

(2) No member shall be able to obtain credit from the Committee for a larger sum or to a larger extent than the maximum so prescribed. But within this limit, every member shall be entitled, the resources of the Society permitting, to obtain a loan at any time up to the paid up amount of his share or shares, or such higher sum as the Committee may think proper to grant under the provisions hereinafter contained.

21. (1) The rate of interest charged on loans to members shall be fixed from time to time by the Committee, but shall not exceed.....pies per rupee per mensem in the case of cash loans.

(2) Compound interest shall not be charged.

22. (1) No loan shall be granted for a period exceeding twelve months or such smaller term as the Committee may fix.

(2) The Committee may, at their discretion, grant a renewal of any loan for a further period not exceeding the term fixed as aforesaid; provided that at least one-fourth of the amount of the loan is repaid at maturity.

(3) Payment in part or in entirety may be accepted before maturity, in which case half the proportionate interest for the remaining period shall be remitted.

23. Applicants for loans must not be in default in respect of any previous transaction with, or of any liability to, the Society, or with or to a surety.

24. After making all such enquiries as may be necessary, the Committee shall either grant or refuse to grant the loan applied for, due intimation of their decision being given within one month from the date of the application.

25. Before sanctioning the payment of a loan for an amount exceeding the paid up amount of a member's share or shares, it shall be in the discretion of the Committee in any case to require the member to pay up any unpaid balance due thereon within a fixed period, and in default of such payment, to refuse to grant the loan.

26. No loan shall be given otherwise than on a promissory note or other instrument to be executed by and at the expense of the borrower; provided that where the amount of the loan exceeds Rs.....,the promissory note or other instrument shall be executed jointly and severally by the borrower and one or more sureties from among the members. Sureties may, however, be dispensed with at the discretion of the Committee in any case where the paid up amount of the share or shares of the member borrowing is not less than half the amount of the loan applied for.

27. Absolute punctuality of repayment shall be enforced on pain of such penalty as may be prescribed by the Society for ordinary and excusable defaults, and of expulsion for grave or persistent defaults.

28. Should a borrower fail to repay his loan within the stipulated date his loan account shall at once be closed and a notice shall be issued to him demanding payment of the amount found due by him, and on the amount so found due he shall be charged interest at..... .....pies per rupee or rupee's value per mensem up to date of recovery.

29. Should a loan be applied for or recommended on the security of land, house or cattle, the members reporting on the same shall say specifically in their report or certificate, what, according to their estimate, is the value of the land, house or cattle, and the loan, if any, finally granted shall not exceed.....per cent of the estimated value in the case of land or house or.....per cent of the estimated value in the case of cattle.

30. Should a loan be found wholly or partially irrecoverable in the end, and the Society sustain any loss thereby, the Managing Committee may, if satisfied, that the estimate was made without care, direct that the loss shall be wholly or partially made good by the members who had originally recommended the loan.

31. A fraction of a month shall be treated as a whole month in calculating the interest on a loan.

32. In calculating the profits either annually or half-yearly, only money or grain actually received shall be taken into account as receipt. Unpaid interest shall not be reckoned. Of the net profits after payment of interest to depositors and other creditors, if any, as well as working expenses, such portion not less than twenty-five per cent as may be determined by the Society shall be carried to the Reserve Fund. Out of the remainder dividends may be distributed among the members in such manner as the Managing Committee under the general directions, if any, of the Society, may settle from time to time.

33. The Reserve Fund shall consist of :—

(1) penalties paid by members;

(2) sums periodically devoted to it out of profits, and

(3) such other sums as may be generally prescribed or periodically assigned by the Society.

34. Loans found to be irrecoverable shall be written off, by charging them to the Reserve Fund, and all loans shall be carefully scrutinised for this purpose from time to time.

35. No portion of the Reserve Fund shall be utilised for any purpose without the sanction of the Registrar.

General Meetings.

36. The supreme authority in the Society in all matters affecting its administration, shall be vested in the Society, that is, the general body of members of the Society as assembled at a meeting; provided that no alteration of the by-laws or addition to the objects of the Society or alteration of the number or value of shares shall be made, and no sanction to the raising of a loan accorded, at a meeting at which at least one-third of the total number of members on the rolls are not present.

37. (1) Meetings of the Society shall be of two kinds, ordinary and extraordinary.

(2) Ordinary meetings shall be held at least..... ..every year on such dates and at such places as may be determined by the Committee.

(3) The Committee may, whenever they think fit and shall, upon a requisition in writing signed by any five or more members, convene an extraordinary meeting of the Society. In the latter case, the requisition shall specify the business proposed to be placed before the meeting, and shall be left at the registered office of the Society.

38. Notices of meetings of the Society shall be sent to all members at least seven days before the dates of holding such meetings, and shall specify the subjects to be discussed at or placed before the meetings.

39. (1) No business shall be transacted at any meetings of the Society, unless a quorum of members is present.

(2) Except in the cases referred to in the proviso to by-law 37, such quorum shall be ascertainable as follows, that is to say, if the total number of members on the rolls does not exceed ten, the quorum shall be five; if it exceeds ten there shall be added to the above quorum one for every ten additional members, with this limitation, that the quorum shall not in any case exceed twenty members.

(3) If within one hour from the time appointed for a meeting, a quorum is not present, the meeting, if convened upon the requisition of five or more members, shall be dissolved. In any other case, it shall be postponed to a date at least six days and not more than four weeks ahead.

(4) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place, or a business of which the prescribed notice shall have been duly given.

40. At every meeting of the Society every person duly admitted to membership is entitled to be present and, if qualified under by-law 11 to vote, provided that he is not in default to the Society in any way.

41. All questions before a general meeting shall be decided by a majority of votes and when votes are equal, the President or the presiding member shall have a casting vote.

42. No voting by proxy shall be allowed, except by special permission of the Chairman of the meeting in the case of females.

Committee of Management.

43. (1) The management of the current business of the Society of all kinds shall be entrusted to a Committee consisting of.....members, who shall be elected by the Society for a term of.....year or years or until their successors are appointed. The retiring members shall be eligible for re-election.

(2) Any casual vacancy occurring in the Committee shall be filled up by the remaining members; provided that any person chosen to fill a vacancy shall retain his office so long only as the person in whose stead he is chosen would have done if no vacancy had occurred.

44. The powers and duties of the Committee shall be as follows :—

(1) To dispose of applications for membership.

(2) To dispose of applications for loans.

(3) To fix the rates of interest on deposits and loans.

(4) To hear and dispose of complaints.

(5) To fill up all appointments on the staff of the Society, and to grant leave to, to fine, to suspend or to dismiss any employee on the staff.

(6) To arrange for the purchase of stores and for their retail sale at prices to be fixed from time to time, or for the fulfilment of any other objects of the Society.

(7) To receive and disburse moneys belonging to the Society and to take stock from time to time of all its goods and other properties.

(8) To keep the accounts of the Society.

(9) To check the accounts, to examine the vouchers, and to prepare, at the close of (.....) a balance sheet showing clearly the extent of the business done by the Society under specific heads, including all receipts and expenditure, the arrears due on loans and shares, the assets and liabilities of the Society, the amount of the reserve fund and the Society's general position financially. Such balance sheets, with statements of profits and losses, shall be published for the information of the members and depositors in such manner as may be desirable and convenient, and not later than a month from the close of.....

(10) To frame subsidiary rules not inconsistent with these by-laws.

(11) To perform all other acts connected with the administration of the Society and the transaction of its business, which are not by these by-laws specifically reserved to the Society.

45. The Committee shall be responsible to the Society for all their acts and may be paid such honoraria as the Society may fix.

46. (1) The Committee shall meet at least..... .....every month; and at every such meeting.....members thereof shall form a quorum.

(2) All questions shall be decided by a majority of the votes of the members present. In case of an equality of votes, the Chairman shall have a casting vote.

(3) No member of the Committee shall vote on any application for a loan in which he himself is interested as borrower or surety.

47. (1) The Committee shall select from among themselves a Secretary and a Treasurer, and such other office-bearers as may, from time to time, be considered necessary.

(2) The Secretary shall have power to sign papers and transact business on behalf of and under the instructions of the Committee.

(3) The custody of the Society's funds shall be with the Treasurer.

(4) The duties of the Secretary, the Treasurer, and other office-bearers, if any, shall be as from time to time defined by the Committee.

48. (1) The Committee may from time to time appoint as many Sub-Committees as may be needed for the transaction of the Society's business.

(2) All Sub-Committees shall be subject to the general control of the Committee and shall act under the Committee's instructions.